

JEANNE JUGAN-LITTLE SISTERS OF THE POOR, INC.
AUDIT REPORT
MEDICAID COST REPORT AND
NURSING WAGE SURVEY

JUNE 30, 2006

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Independent Auditors' Report

State of Delaware
Office of Auditor of Accounts
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of Jeanne Jugan-Little Sisters of the Poor (the Facility) for the year ended June 30, 2006. The Cost Report and Survey are the responsibility of the Facility's management. Our responsibility is to express an opinion on the Cost Report and Survey based on our audit, which are not affixed hereto.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles and Medicaid principles of cost reimbursement used and significant estimates made by management, as well as evaluation of the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinion.

Certain adjustments were required to be made to the Cost Report and Survey based on the results of our audit. The detail of the adjustments and their effects can be found on the accompanying Schedule of Adjustments on pages 3 through 5.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of Jeanne Jugan-Little Sisters of the Poor referred to above presents fairly, in all material respects, the reimbursement costs of the Facility for the year ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America and Medicaid principles of cost reimbursement.

Independent Auditors' Report (Cont'd.)

In accordance with *Government Auditing Standards*, we also issued our report dated November 15, 2008, on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McBride, Shopa & Co

Wilmington, Delaware
November 15, 2008

JEANNE JUGAN-LITTLE SISTERS OF THE POOR, INC.
SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX
AND THE NURSING WAGE SURVEY
YEAR ENDED JUNE 30, 2006

| <u>Description</u> | <u>Page</u> | <u>Line</u> | <u>As Filed Amounts</u> | <u>Audit Adjustments</u> | | <u>Adjusted Amounts</u> | <u>Adjusted Cost Per Day</u> | <u>Note Ref.</u> |
|--|-------------|--------------------|-----------------------------|------------------------------|----------------|-----------------------------|--------------------------------------|----------------------|
| | | | | <u>No.</u> | <u>Amount</u> | | | |
| <u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u> | | | | | | | | |
| <i>Primary Patient Care Costs (lines 1-5)</i> | | | | | | | | |
| Nursing Staff Benefits | 2 | 2 | \$ 181,114 | 1 | \$ (1) | \$ 174,240 | | B-1 |
| | | | | 2 | (10,092) | | | B-2 |
| | | | | 3 | 3,219 | | | UE-3 |
| Unadjusted lines | 2 | 1a, 1b, 3, 4 | <u>1,244,139</u> | | <u>-</u> | <u>1,244,139</u> | | |
| Subtotal - Primary Patient Care | 2 | 5 | 1,425,253 | | (6,874) | 1,418,379 | \$ 97.04 | |
| <i>Secondary Patient Care Costs (lines 6-14)</i> | | | | | | | | |
| Employee Benefits | 2 | 8 | 6,582 | 1 | (9,655) | - | | B-1 |
| | | | | 2 | 3,073 | | | UE-3 |
| Other Secondary Patient Care Costs | 2 | 12 | 12,895 | 3 | (3,527) | 10,490 | | UE-2 |
| | | | | 4 | 1,122 | | | UE-3 |
| Unadjusted lines | 2 | 6, 7, 9, 10, 11 | <u>144,930</u> | | <u>-</u> | <u>144,930</u> | | |
| Subtotal - Secondary Patient Care | 2 | 14 | 164,407 | | (8,987) | 155,420 | 10.63 | |
| <i>Support Service Costs (lines 15-22)</i> | | | | | | | | |
| Dietary | 2 | 15 | 283,644 | 1 | (1,687) | 282,501 | | UE-2 |
| | | | | 2 | 544 | | | UE-3 |
| Employee Benefits | 2 | 20 | 107,986 | 3 | 30,209 | 119,409 | | B-1 |
| | | | | 4 | (13,458) | | | B-2 |
| | | | | 5 | (5,328) | | | UE-3 |
| Unadjusted lines | 2 | 16, 17, 18, 19, 21 | <u>611,208</u> | | <u>-</u> | <u>611,208</u> | | |
| Subtotal - Support Service | 2 | 22 | 1,002,838 | | 10,280 | 1,013,118 | 69.32 | |

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SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX
AND THE NURSING WAGE SURVEY
YEAR ENDED JUNE 30, 2006

| Description | Page | Line | As Filed Amounts | Audit Adjustments | | Adjusted Amounts | Adjusted Cost Per Day | Note Ref. |
|--|------|------------------------|---------------------|----------------------|--------------------------------|---------------------|-----------------------------|----------------------|
| | | | | No. | Amount | | | |
| Administrative & Routine Costs (lines 23-32) | | | | | | | | |
| Other Administrative Salaries | 2 | 25 | 314,423 | 1 2 | (26,055) 29,214 | 317,582 | | UE-1 UE-3 |
| Employee Benefits | 2 | 26 | 83,742 | 3 4 5 | (20,553) (30,177) 16,149 | 49,161 | | B-1 B-2 UE-3 |
| Other Administrative & Routine Costs | 3 | 31 | 148,947 | 6 7 8 | (91,753) (2,493) 9,090 | 63,791 | | UE-1 UE-2 UE-3 |
| Unadjusted lines | 3 | 23, 24, 27, 28, 29, 30 | <u>122,086</u> | | <u>-</u> | <u>122,086</u> | | |
| Subtotal - Administrative & Routine | 3 | 32 | 669,198 | | (116,578) | 552,620 | 37.81 | |
| Capital Costs - unadjusted (lines 33-39) | | | | | | | | |
| Depreciation | 3 | 36 | 146,289 | 1 2 | (28,338) 9,025 | 126,976 | | CC-1 UE-3 |
| Unadjusted lines | 3 | 33, 34, 35, 37, 38 | <u>37,305</u> | | <u>-</u> | <u>37,305</u> | | |
| Subtotal - Capital | 3 | 39 | <u>183,594</u> | | <u>(19,313)</u> | <u>164,281</u> | <u>11.24</u> | |
| SUBTOTAL | 3 | 40 | 3,445,290 | | (141,472) | 3,303,818 | 226.04 | |
| Ancillary Costs - unadjusted (lines 41-49) | 3 | 49 | 53,680 | | - | 53,680 | 3.67 | |
| Other Costs - unadjusted (lines 50-52) | 3 | 52 | <u>3,897</u> | | <u>-</u> | <u>3,897</u> | <u>0.27</u> | |
| TOTAL COSTS | 3 | 53 | \$ 3,502,867 | | \$ (141,472) | \$ 3,361,395 | \$ 229.98 | |

PART II - COST REPORT PATIENT DAYS

| | | | | | |
|------------------------------|---|------|--------|---|--------|
| Total beds | 6 | 1, 3 | 40 | - | 40 |
| Total bed days available | 6 | 4 | 14,884 | - | 14,884 |
| 90% minimum census threshold | 6 | | 13,396 | - | 13,396 |
| Total census days | 6 | 5E | 14,616 | - | 14,616 |

PART III - NURSING WAGE SURVEY

II. Staff Nurse Information

| | | | | | | |
|--|----|---|-----------|----------|-----------|--------|
| Total Payroll by category: CNAs | 11 | B | \$ 21,270 | \$ 1,328 | \$ 22,598 | NWS -1 |
| Total Hours Paid to Staff for Pay Period: CNAs | 11 | B | 1,657 | 80 | 1,737 | NWS -1 |

JEANNE JUGAN-LITTLE SISTERS OF THE POOR, INC.
SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX
AND THE NURSING WAGE SURVEY
YEAR ENDED JUNE 30, 2006

PART IV - DETAILED EXPLANATION OF ADJUSTMENTS

Adjustments affecting benefits (B):

B-1 To correct benefits allocation. Original allocation included nonpayroll related costs.

B-2 To remove benefits associated with salaries that were eliminated on the original cost report.

Adjustments affecting unallowable expenditures (UE):

UE-1 To remove fundraising costs that are unallowable on Medicaid Cost Report.

UE-2 To remove costs associated with residence portion of facility.

UE-3 To correct allocation of unallowable expenses as a result of all other adjustments.

Adjustments affecting capital costs (CC):

CC-1 To adjust depreciation to allowable amount under Medicaid regulations, and also to adjust depreciation to amount supported by facility's fixed asset schedule.

Adjustments affecting Nursing Wage Survey (NWS):

NWS-1 To adjust Nursing Wage Survey to amounts supported by facility records.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware
Office of Auditor of Accounts
Department of Health & Social Services
Division of Social Services Medicaid
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for Jeanne Jugan-Little Sisters of the Poor (the Facility) for the year ended June 30, 2006, and have issued our report thereon dated November 15, 2008, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the Cost Report and Survey but not for the purposes of expressing an opinion on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Facility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Facility's financial statements that is more than inconsequential will not be prevented or detected by the Facility's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Facility's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

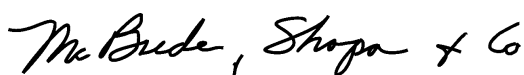
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Facility in a separate letter dated November 15, 2008.

The Facility has reviewed the above matters and the Schedule of Adjustments. Written responses received by us during the comment period were considered and, if acceptable, mutually agreed-upon modifications have been reflected in our reports. Any further modifications and administrative follow-up will be handled by the Department of Health and Social Services of the State of Delaware.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of Jeanne Jugan-Little Sisters of the Poor, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, the State Treasurer's Office, and the Department of Finance. However, under 29 Del. C. Section 10002, this report is public record and its distribution is not limited.



November 15, 2008

**JEANNE JUGAN – LITTLE SISTERS OF THE POOR
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006**

CURRENT YEAR CONDITIONS

NONE